

## **Bridges to Peace: American Trade Policy in the Middle East**

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Good evening, everyone.

This is a very proud moment for me, as I join friends and family here tonight. Let me say to begin with how much I have always admired Hadassah. Hadassah members have been committed for nearly a century to the security and well-being of the Jewish people everywhere in the world. The organization's vision of charity, goodwill and peace for the Middle East; its faith in civic involvement; and the opportunities it has always offered to young people, make Hadassah the world's leading Jewish women's group today and will do so for many years to come.

### **PROGRESS TOWARD PEACE**

This work has continued without a break for nearly ninety years. It has been marked by idealism and accomplishment at every point. And as Hadassah enters its second century, we are living through perhaps the most remarkable period since the foundation of the State of Israel fifty-two years ago.

In the short years during which I have served in the Administration, we have seen more progress towards peace -- uncertain and marked by reversals and disappointed hopes as it often is -- than anyone might have imagined. As Martin Indyk, our Ambassador to Israel, says, "peace between Israel and all her neighbors is in sight."

Since the Declaration of Principles in Washington in 1993, we have seen Israel and Jordan create a strong and stable peace. A process of negotiations with the Palestinian Authority has proceeded from the interim agreement through the Wye Protocol, always marked by difficulty and tension, but also consistently moving forward. We have even seen the opening of negotiations with Syria, for so many decades a militarized, rejectionist state.

We should never overstate the positive of course, nor mistake current trends for permanent peace. There is much work to do and difficult decisions ahead in Israel's negotiations with its neighbors. And not much further away, other nations maintains a hostility to Israel which has not lessened in the slightest.

### **ADMINISTRATION PRINCIPLES**

But while we should be realists, we must not be cynics. And our Administration will work as vigorously as it can to help transform today's positive trends become long-term, stable realities.

This begins with a fundamental commitment to the security of Israel, which all American Administrations have shared; and it includes this President's personal commitment – over the past seven years and for every day remaining in his Administration – to work with all the parties in the peace process to help them facilitate peace.

The work we do in trade policy, of course, has only a modest role in this. But as time goes by, and if the commitment to peace in the region continues to grow, our contribution can become greater. And that is because the foundation of an enduring peace must be more than agreements between governments: it must rest just as firmly on shared interests, shared values when possible, and the bridges created by human exchange, including cultural areas, tourism, student exchange programs and the world of trade and investment.

### U.S. TRADE POLICY PRINCIPLES

Let me begin with some thoughts on American trade policy more generally.

Our modern trade policy rests on a commitment to open markets under the rule of law: as, most immediately, a means of fostering growth and rising living standards, but more fundamentally as a support to peace. We can date the establishment of this policy in essence to the Administration of Franklin Roosevelt. To quote one of his wartime Fireside Chats, looking ahead to the task of reconstruction:

“A basic essential to peace, permanent peace, is a decent standard of living for all individual men and women and children in all nations. Freedom from fear is eternally linked with freedom from want. [And] it has been shown time and time again that if the standard of living in any country goes up, so does its purchasing power -- and that such a rise encourages a better standard of living in neighboring countries with whom it trades.”

This vision in turn was put into action under President Truman, with the foundation of the General Agreement on Tariffs and Trade at the beginning of 1948 – a few months before Truman also took the historic step of recognizing the new State of Israel. And since then, we have tried to build up a system in which trading nations rely on law and contract rather than on coercion in good times; and in moments of crisis, the world has a shield against the fears that can lead to cycles of protection and the “beggar-thy-neighbor” policies of the 1930s. And as countries trade more with their neighbors, they gain an interest in prosperity and stability beyond their borders, strengthening the chances of peace.

When the work began, our postwar leaders faced a world fragmented and impoverished by the Second World War; the communist experiment in Russia and soon China; and the older economic divisions among the Allies created after World War I through the colonial preference

schemes of Britain and France, and then the American Smoot-Hawley tariffs of the Depression era. And slowly but steadily, as one region after another has committed itself to the principles of the trading system, peace and stability have strengthened – first in Western Europe; then Southeast Asia; most recently Latin America and Central Europe.

## TRADE POLICY IN THE MIDDLE EAST

The Middle East, unfortunately, has been one of the regions least willing to participate in this work. And thus it appears today much like a smaller version of the world economy of the 1930s.

The region is deeply fragmented, most of all because of the boycotts and isolation Israel's neighbors imposed on it fifty years ago, but also because the countries of the Middle East retain high trade barriers which close their economies to one another and to the outside.

To reduce these barriers and promote a greater degree of integration, both within the region and with the outside world, would be to strengthen the stake that Middle Eastern governments would have in peace and regional stability. And that, in essence, is what our trade policy in the Middle East aims to do, by promoting regional economic integration and growing trade and investment relationships among Israel and its neighbors.

## U.S.-ISRAEL FREE TRADE AGREEMENT

The foundation of this work is our economic relationship with Israel, embodied in the U.S.-Israel Free Trade Agreement of 1985. This agreement was our first FTA with any foreign country, predating Canada and Mexico by four years and Mexico by eight. Since it went into effect, our bilateral trade with Israel has quintupled, rising from \$3.5 billion in 1985 to a likely \$17 billion last year. And both sides are winners.

Our \$7 billion in exports to Israel -- everything from aircraft to pharmaceuticals, scientific equipment and even \$100 million worth of oil -- includes \$120 million worth of Florida's high-tech products, capital equipment, telecommunications equipment and other products, thus supporting a likely two thousand Florida jobs.

Israel has done just as well – in fact, slightly better, with our imports from Israel at \$8 billion in 1998, and passing \$9 billion last year. This makes us a larger market for Israel than the European Union. Israel sells us everything you can imagine, and some things that might surprise you. While last year's trade statistics are still incomplete, our imports from Israel from January to November 1999 included at least:

- \$4 billion worth of diamonds, nearly half of all America's diamond imports;
- 2.5 million kilograms of hot peppers and 500,000 kilograms of parsley;

- \$1 billion worth of electronics and more than half a billion dollars worth of X-ray tomography machines, optic fiber, lasers, microscopes and other scientific and medical equipment;
- 2.5 million Bibles
- 10 million kilograms of rope and fishing line, \$50 million of inorganic chemicals, and 350,000 pounds of zinc;
- 23 million greeting cards, 12,000 umbrellas and 128,000 sets of drums.

Each of these drumsets, x-ray machines and pounds of zinc mean jobs; new opportunities; and long-term relationships and personal ties that help to cement the enduring links between our governments. With that, of course, comes the occasional disputes we have with any trade partner.

We are working hard, for example, to help Israel improve its intellectual property protection, as this will both protect American rights and help Israel's technological base advance more rapidly.

We look for Israel to develop a more open agricultural market and apply its regulations fairly and evenly.

And we feel the "access fees" Israel's telecommunications carrier charges are a little unreasonable, forcing Americans and Israelis to pay a four-cent per minute fee for all international phone calls, and a seven-cent fee for calls to the United States and Canada. This is a significant burden especially for young people spending the summer in Israel, but also for people simply looking to spend a few minutes with friends and family.

But these types of disputes are quite typical of any major trade relationship. And on the whole, both of us can be very proud of the work we have put in over the years to make it a success.

## QUALIFYING INDUSTRIAL ZONES

The story of our diamond trade is especially interesting in several ways. It is in part a result of the Russian emigration to Israel of the past decade, which has led Israel to become a center for the finishing of Russian gems – many of the diamonds we import from Russia are mined in Russia, cut in Israel, and then sent to jewelry stores in the United States.

Russian emigration, of course, also brought Israel one of the most remarkable figures in modern Jewish history: the extraordinary Natan Sharansky, the former Soviet dissident and human rights activist. And it was my great privilege of working with him as Trade Minister in the

Netanyahu government to begin a project that has continued under Prime Minister Barak. That is, the development of our strong existing trade relationship into something still broader.

Sharansky saw the same potential in trade integration that we have: trade and investment, as he put it, are both “the fruits of peace” and the human ties that make peace agreements last. He recognized the potential of trade to cement peace, and acted on this insight in the aftermath of the peace agreement with Jordan. The late King Hussein of Jordan had precisely the same insight; and we were of course enthusiastic about the prospect as well.

And thus, almost exactly two years ago, I joined Minister Sharansky and Minister Mulki of Jordan to formally inaugurate what we call a “qualifying industrial zone.” This was an industrial project called the Irbid Park, half of which is in Israel and half in Jordan, whose products receive duty-free treatment when they enter the United States.

At that time, the Irbid Park employed about 1100 people, at eight factories making clothing, watches, telecommunications equipment and other goods. Within a year it outgrew its original boundaries to include more than fifty factories, including a textile factory with a direct American stake. We had predicted employment might grow rapidly to 1700 workers; but today Irbid employs more than 4,000 people. As Minister Sharansky said, with the Irbid project “the fruits of peace are evident to anybody with eyes to see and ears to hear.”

Since then we have expanded the Irbid zone further, created a second called the Gateway Project a year ago, and then three more last year. This year we are working toward creation of two new zones, one of which will be in Aqaba-Eilat, on both sides of the border. And we are looking ahead, with the support of King Abdallah and Prime Minister Barak, to broader initiatives that will further strengthen the Jordanian economy; help us develop stronger trade ties with countries committed to peace; and set an example for the region which shows the practical benefits of peace in terms of rising living standards, job creation, and better lives.

## LOOKING AHEAD

Irbid and the Gateway Project are, in essence, examples of what the Middle East should be. Israelis and Arabs are working together; prospering together; building a future together. As they do so, common interests are growing, international understanding deepening; and peace strengthening. And as we look further ahead, we may find new opportunities.

The region’s economic isolation, generated by the historical suspicion of many of Israel’s neighbors to both Israel and the west, is beginning to relax. The Gulf Cooperation Council countries have abandoned their secondary and tertiary boycott of Israel altogether. And Israel has opened commercial contacts with all but a very few Arab countries, including the establishment of trade offices with Morocco, Tunisia, Oman and Qatar.

A number of Arab countries are at the same time reforming their economies. As they do

so, we are working with several of them toward membership in the World Trade Organization. Jordan is the most advanced of these and will enter very soon, but we have also made a great deal of progress with Oman and held productive discussions with Saudi Arabia. And we have begun a program of bilateral agreements, including Trade and Investment Framework Agreements and Bilateral Investment Treaties, with such countries as Egypt, Morocco, Tunisia and Bahrain.

Altogether, these trends hold out the hope of a far more open region; in which Arab countries interact more freely and openly with one another, with Israel and with the outside world. And thus, one in which the entire region gains new sources of hope, growth and therefore political stability.

Israel's role in this future would be central. Israel's strengths in science and technology, higher education and management make it a natural center for economic development, integration and growth throughout the region. Together with resource-rich nations like Syria, Turkey and the Gulf States, and with labor-intensive countries like Egypt, these strengths can help to create a Middle East entirely different from the region we see today: a region prosperous, at peace, and able to offer the world lessons in overcoming legacies of violence and frustration.

## CONCLUSION

We must not, of course, be naively optimistic. The current peace negotiations are complex and difficult; and beyond them, the Middle East still includes some of the world's most belligerent and benighted governments. So it is all too easy to imagine a future much like the past, dominated by fundamentalists, demagogues and tyrants; in which war is a constant threat; and in which the hopes of ordinary people for freedom from fear remain simply hopes.

But if you look ahead and if – as Hadassah members have been for 90 years – you are a bit of an optimist, you can see that if peace and trust are not inevitable, neither are suspicion and war. What leadership and vision are creating for Israel and Jordan today, we may someday help create for the Middle East as a whole. As in the small projects Natan Sharansky and King Hussein began in 1998, this would be a future in which Israelis and Arabs live together; work together, and build a peaceful future together.

That was, of course, the hope that Herzl and Weizmann and Hadassah's founder Henrietta Szold had for the Middle East. It is a dream deferred; and its realization today remains uncertain. But it was then and it remains now, as the new century opens, a possible dream.

Thank you very much.